A view from the RM bridge

"We will continue to participate in RTO development and other manifestations of restructuring. But we won't lose our long-term focus. In the Rocky Mountain Region, we will continue to serve our customers' needs."

–Joel Bladow

At Rocky Mountain Region's third annual business meeting in early December, Regional Manager **Joel Bladow** reflected on 2000 and forcasted Western's continuing and future challenges in 2001. Below is a summary of Bladow's three hottest concerns, which he calls "works in progress."

RTOs

In 2000, the RM region spent considerable energy and resources on the emergence of regional transmission organizations. "Any RTO we join must conform to the minimum four characteristics and eight functions outlined in the Federal Energy Regulatory Commission's Order No. 2000," he said.

In addition, Bladow contended the RTO must have the appropriate economy of size. It could cost $100 million to establish a new RTO and $60 million to $80 million annually to operate it. "With costs like that, it is difficult to see how a small (in terms of load) RTO can be established without negative rate impacts," noted Bladow.

One RTO issue is cost shifting, which occurs when one class of customer foots more than its share of costs. "We need to make sure costs are accurately assessed based on the benefits received," Bladow said.

Another issue is transmission congestion. Capacity is becoming increasingly limited on paths with high demand, creating transmission bottlenecks. "As RTOs develop, they need to identify who gets first call on these crowded paths. Western certainly doesn't want to lose our current physical rights on critical paths. That's something that needs to be hammered out before we join any RTO," explained Bladow.

Finally, any RTO we join will need to accommodate our existing customer contracts. "In light of the power allocation processes occurring across Western, we need to be sure these long-term contracts are honored," said Bladow.

Industry restructuring

In 2000, restructuring efforts in several states saw costs soar and reliability slip. "Ultimately, it's the ratepayer who will get stuck with the tab," Bladow noted. These factors will add pressure for Federal energy legislation.

The new composition of FERC is another dynamic factor that could influence restructuring. "Just the same, after watching the crisis in California, many states will hold back on restructuring," he predicted.

FTE and budget constraints

It sounds like an old refrain, but Western's budget will be even tighter in 2001. Much of this stems from escalating costs for purchase power. But in RM, as throughout Western, rising costs also stem from the need to upgrade hardware and software for increasingly complex transmission and marketing operations. "Carefully managing our FTE—getting the right resources in the right places—will be a critical near-term solution," Bladow noted.

Forecasting the future

As for 2001, Bladow sees RM's biggest challenge as living within its budget. Working more efficiently will be key. "We need to streamline how we work wherever we can. This means expanding our use of MAXIMO to manage projects. It also means minimizing control area losses by ensuring customers are accurately billed for energy imbalances. Finally, we need to simplify the interfaces between our scheduling, transmission and billing functions," he said.

Other RM strategies for containing costs include accurately billing for trust work and adopting a new billing system. Implementing Reliability-Centered Maintenance procedures and continuing to focus on safety will also reduce costs.

"We will continue to participate in RTO development and other manifestations of restructuring. But we won't lose our long-term focus. In the Rocky Mountain Region, we will continue to serve our customers' needs. We'll attract and retain a skilled and diverse workforce. We will foster a flexible organizational structure that is able to rapidly respond to power industry developments. And we will continue to provide our customers cost-based power," summed up Bladow. "Federal hydropower is still a good deal. We intend to keep it that way."